

Direct Testimony

of

Phil A. Hardas

Finance Department

Financial Analysis Division

Illinois Commerce Commission

Illinois Power Company

Application for Certificate of Public Convenience and Necessity

Docket No. 03-0114

April 23, 2003

1 Q: Please state your name and business address.

2 A: My name is Phil A. Hardas. My business address is 527 East Capitol,  
3 Springfield, Illinois 62701.

4 Q: What is your current position with the Illinois Commerce Commission  
5 ("Commission")?

6 A: I am presently employed as a Financial Analyst with the Finance Department of  
7 the Financial Analysis Division.

8 Q: Please describe your qualifications and background.

9 A: In December of 1998, I received a Bachelor of Science degree in Finance from  
10 Southern Illinois University at Carbondale. In August of 2001, I received a  
11 Master of Business Administration degree from the University of Illinois at  
12 Springfield. I have been employed by the Commission since May 1999 as a  
13 Financial Analyst.

14 Q: Please state the purpose of your testimony in this proceeding.

15 A: On February 21, 2003, Illinois Power Company ("Illinois Power") filed a petition  
16 for the issuance of a certificate of public convenience and necessity authorizing  
17 Illinois Power to construct, operate, and maintain a new 138-kilovolt electric line  
18 in Monroe County, Illinois pursuant to Section 8-406 of the Illinois Public Utilities  
19 Act ("Act"). The purpose of my testimony is to present my evaluation of the

20 financial implications of the proposed construction of the new line under Section  
21 8-406(b)(3) of the Act.

22 Q: Please state the requirements in Section 8-406(b)(3) of the Act.

23 A: Section 8-406(b)(3) of the Act states that, before issuing a certificate of public  
24 convenience and necessity, the Commission must find that the utility is capable  
25 of financing the proposed construction without significant adverse financial  
26 consequences for the utility or its customers.

27 Q: Please summarize your findings.

28 A: Based on my review of Illinois Power's petition and all supporting documents,  
29 including data request responses in this proceeding, I believe Illinois Power is  
30 capable of financing the proposed construction without significant adverse  
31 financial consequences for the utility or its customers.

32 Q: Describe the proposed construction and estimated cost.

33 A: Illinois Power proposes to construct, operate and maintain a new electric  
34 transmission line in Monroe County, Illinois. The total estimated cost of the entire  
35 project using the primary route is approximately \$7.43 million. The estimated  
36 cost of the proposed construction for which a Commission certificate of public  
37 convenience and necessity is required is approximately \$2.39 million.<sup>1</sup>

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<sup>1</sup> See Schedule 2.01 (Illinois Power response to Staff data requests PH-1 and PH-2).

38 Q: Does Illinois Power propose alternate routes?

39 A: Yes. Illinois Power proposes two alternate routes.

40 Q: What are the costs associated with using the proposed first or second alternate  
41 route?

42 A: The first alternate route (Route A) would cost less than the primary route. Thus,  
43 analysis of the cost of the first alternate route is not necessary if Illinois Power's  
44 primary route meets the requirement in Section 8-406(b)(3) of the Act. However,  
45 the second alternate route (Route C) would cost more than the primary route.  
46 The total estimated cost of the entire project using the second alternate route is  
47 approximately \$7.77 million. The estimated cost of constructing the portion of the  
48 second alternate route for which a Commission certificate of public convenience  
49 and necessity is required is approximately \$2.73 million.<sup>2</sup>

50 Q: Will Illinois Power finance the cost of the proposed construction?

51 A: Yes, Illinois Power will finance the proposed construction.

52 Q: How does the estimated cost of the proposed construction compare to Illinois  
53 Power's existing utility assets and revenue?

54 A: As reported in Illinois Power's 2002 Securities and Exchange Commission Form  
55 10-K, total net utility plant at December 31, 2002, was \$1,961.3 million. Total

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<sup>2</sup> See Schedule 2.02 (Illinois Power response to Staff data requests PH-3 and PH-4).

utility operating revenues for the twelve months ended December 31, 2002, was \$1,518.3 million. The total estimated cost of the entire Monroe County project using the primary route is approximately \$7.43 million, or 0.3790% of net utility plant and 0.4896% of total utility operating revenues. The total estimated cost of the entire Monroe County project using the second alternate route is approximately \$7.77 million, or 0.3962% of net utility plant for electric operations and 0.5118% of total utility operating revenues.

Q: Have you assessed Illinois Power's ability to finance the proposed construction?

A: Yes. The estimated cost of the proposed construction under the primary or either alternative route is quite small in comparison to Illinois Power's total utility plant and revenue for electric operations. Therefore, it is reasonable to conclude that Illinois Power is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers.

Q: What is your recommendation?

A: In my judgment, the proposed transaction meets the requirements of Section 8-406(b)(3) of the Act. Therefore, I recommend the Commission find that Illinois Power is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers.

74 Q: Does this conclude your direct testimony?

75 A: Yes.

ILLINOIS POWER COMPANY'S RESPONSES  
TO STAFF'S DATA REQUEST NUMBERS PH-1 AND PH-2

**PH-1:** Mr. Hipple's testimony states on lines 525 through 530 that the total estimated direct cost of construction is approximately \$1.8 million and the total estimated cost of the entire project is \$5.4 million. Please provide the following estimates in 2002 dollars:

- a) total direct cost of construction
- b) total indirect cost of construction
- c) total right-of-way costs
- d) total other costs
- e) total cost of the entire project, including; direct cost of construction, indirect cost of construction, right-of-way costs, and any other costs associated with the project.

**Response:** The total estimated cost of the entire project with the preferred 138 kV line route, in 2002 dollars:

a) total direct cost of construction	\$5,326,570
b) total indirect cost of construction	\$1,953,430
c) total right-of-way costs	\$153,800
d) total other costs	\$0
e) total cost (sum of a, b, c & d)	\$7,433,800

Due to revised cost estimates, I will be amending line 530 of my testimony to state that the total estimated direct cost of the entire project is \$5.5 million including right-of-way.

**PH-2:** Based on the response to PH-1 e), what is the amount, in 2002 dollars, of the total estimated cost of the entire project that is associated with the certificate sought in ICC Docket No. 03-0114?

**Response:** The total estimated cost of the 138 kV line along the preferred route, in 2002 dollars:

a) total direct cost of construction	\$1,702,490
b) total indirect cost of construction	\$572,930
c) total right-of-way costs	\$112,000
d) total other costs	\$0
e) total cost (sum of a, b, c & d)	\$2,387,420

ILLINOIS POWER COMPANY'S RESPONSES  
TO STAFF'S DATA REQUEST NUMBERS PH-3 AND PH-4

**PH-3:** Mr. Badger's testimony states on lines 150 through 166 that Illinois Power considered three routes for the proposed construction. These routes are called Route A (North route), Route B (preferred route), and Route C (along Highway 156). Please provide the following estimates for Route C (along Highway 156) in 2002 dollars:

- a) total direct cost of construction
- b) total indirect cost of construction
- c) total right-of-way costs
- d) total other costs
- e) total cost of the entire project, including; direct cost of construction, indirect cost of construction, right-of-way costs, and any other costs associated with the project.

**Response:** The total estimated cost of the entire project with the 138 kV line along Route C (along Highway 156), in 2002 dollars:

a) total direct cost of construction	\$5,542,900
b) total indirect cost of construction	\$2,055,390
c) total right-of-way costs	\$171,800
d) total other costs	\$0
e) total cost (sum of a, b, c & d)	\$7,770,090

**PH-4:** Based on the response to PH-3 e), what is the amount, in 2002 dollars, of the total estimated cost of the entire project that is associated with the certificate sought in ICC Docket No. 03-0114?

**Response:** The total estimated cost of the 138 kV line along Route C (along Highway 156), in 2002 dollars:

a) total direct cost of construction	\$1,918,820
b) total indirect cost of construction	\$674,890
c) total right-of-way costs	\$130,000
d) total other costs	\$0
e) total cost (sum of a, b, c & d)	\$2,723,710